



25 September 2020

WEEKLY

FOOD-FOR-THOUGHT

FOOD-FOR -THOUGHT

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Import and export parities for yellow maize



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Local agriculture

- Maize imports and exports
- Producer deliveries



News

International and national news



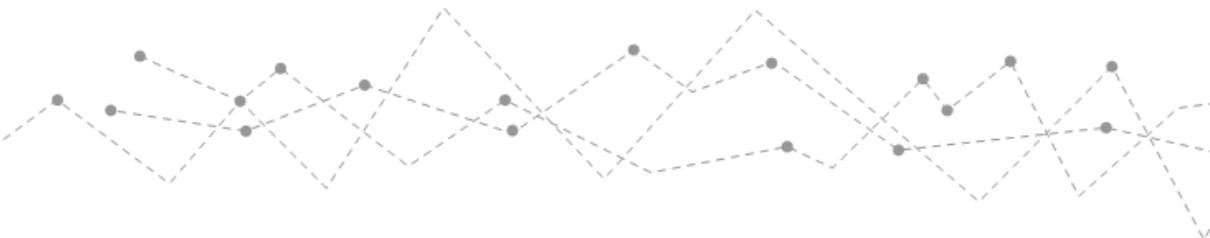
Exchange rate

Overview of ZAR and US dollar movements



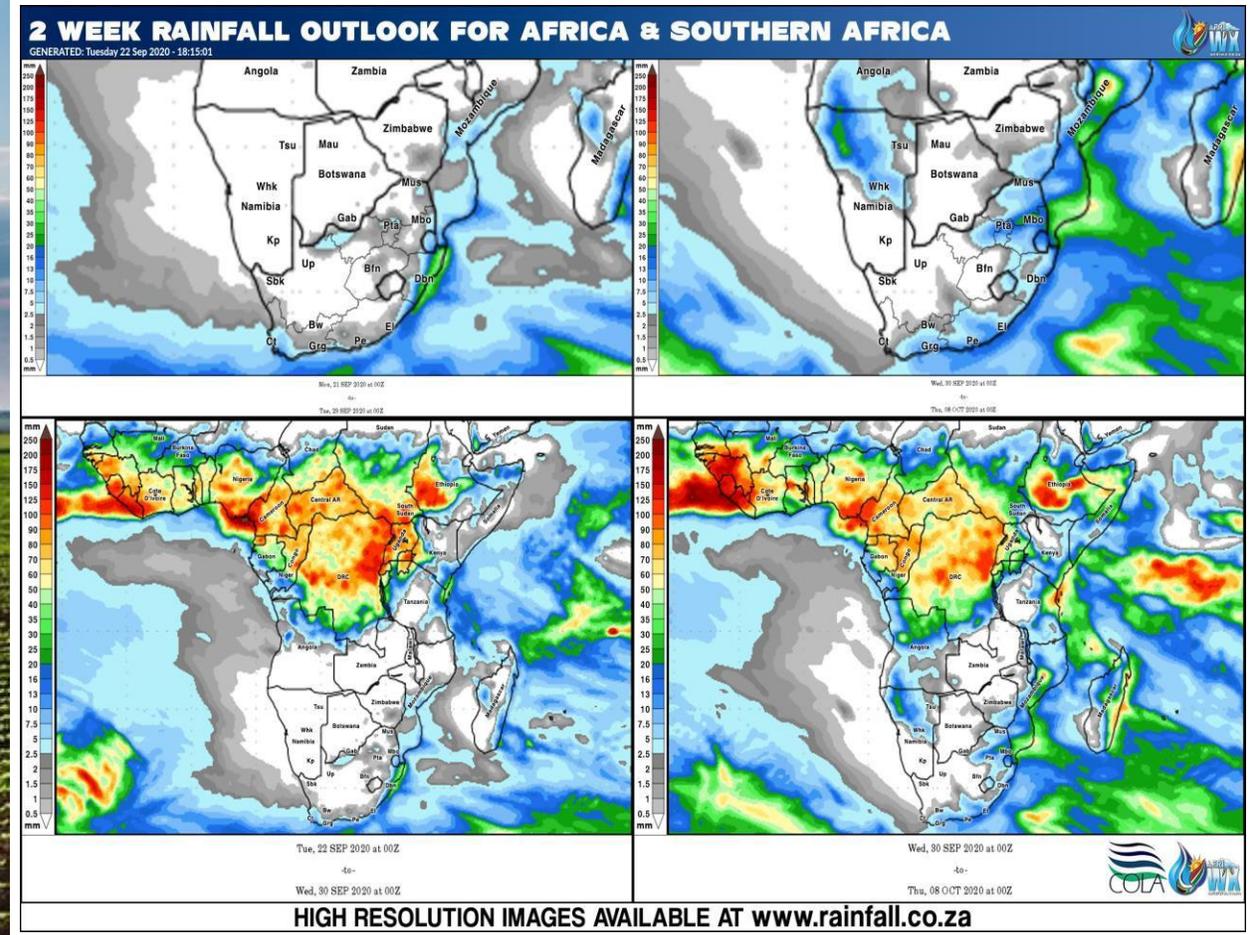
Price risk management

Minimum/maximum option strategy





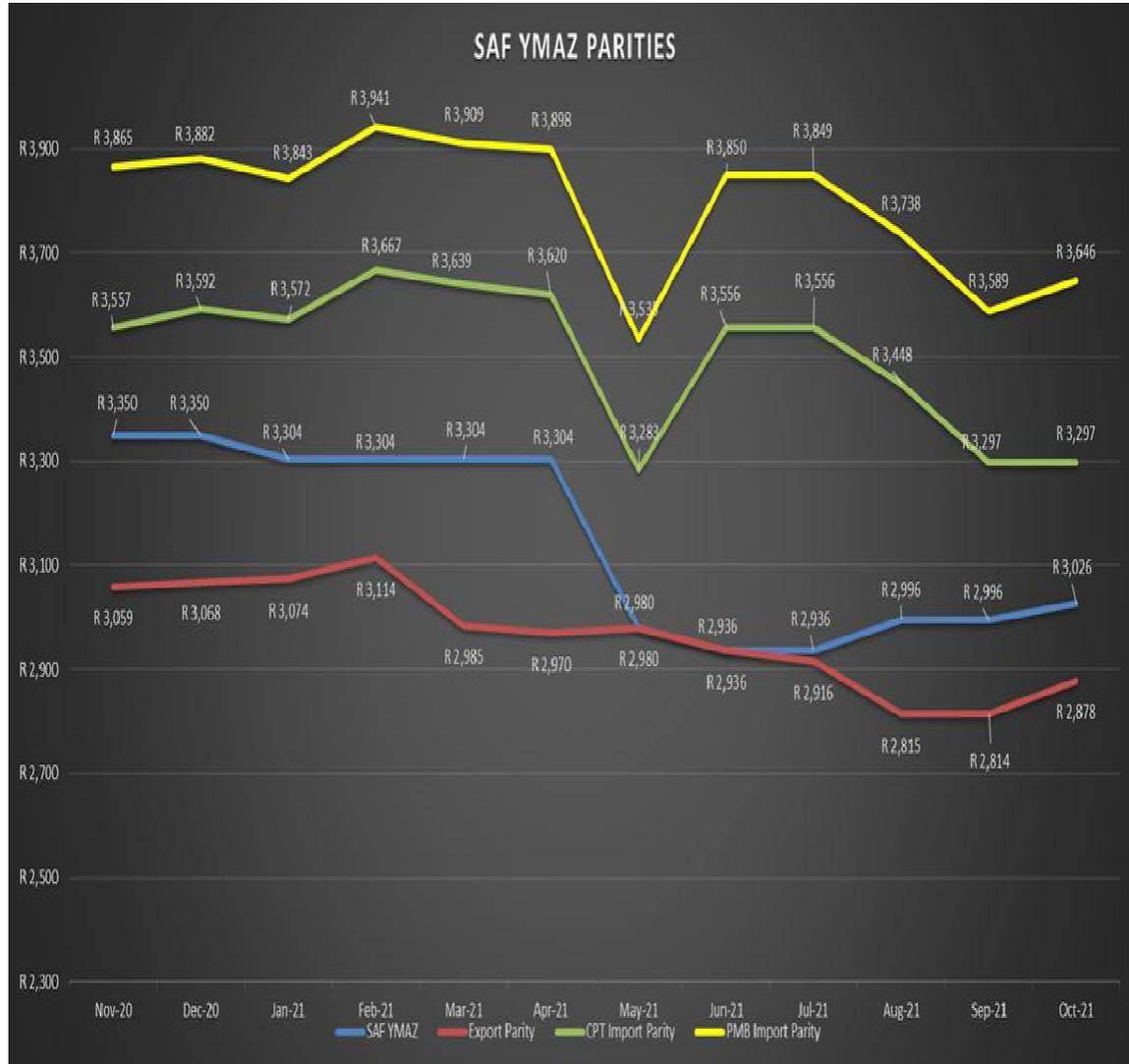
LOCAL
WEATHER



Fourteen-day forecast:

Dry conditions are expected over the entire country in the next two weeks. A cold front and scattered showers are likely over the southern parts of the country this weekend.

IMPORT AND EXPORT PARITIES



	OCT'20	DEC'20	MAR'21	JUL'21
PMB import parity	R3 865	R3 882	R3 909	R3 849
Cape import parity	R3 557	R3 592	R3 639	R3 556
SAFEX yellow maize	R3 350	R3 350	R3 304	R2 936
Export parity	R3 059	R3 068	R2 985	R2 916



INTERNATIONALE AGRICULTURE



FOCUS: Zambia

Maize:

- Prices are moving laterally, but it was noted that producers are holding back stocks in the expectation of higher prices on the market.
- Informal exports flow to Malawi, Tanzania, Botswana and Namibia. The government does not exercise strict controls over informal exports.
- The government's first harvest estimate is 3,8 million ton.
- Annual national consumption is estimated to be about 2,1 million ton, which means that the country should have a large surplus available for export.





USA: crop conditions as at 18 September 2020

Maize: Excellent
= 14%

Good
= 47%

Fair
= 25%

Poor
= 10%

Very poor
= 9%

Soybean: Excellent
= 12%

Good
= 51%

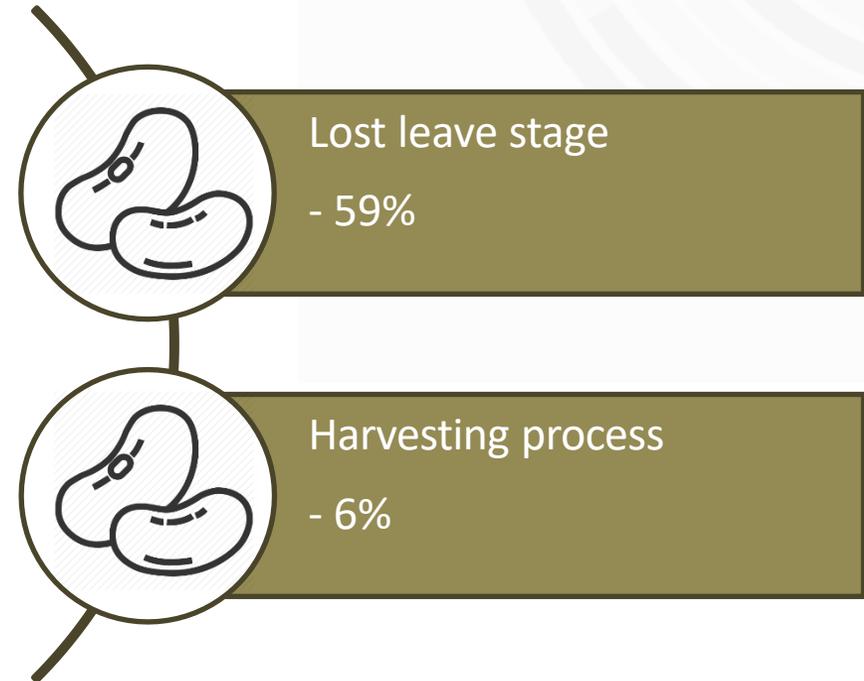
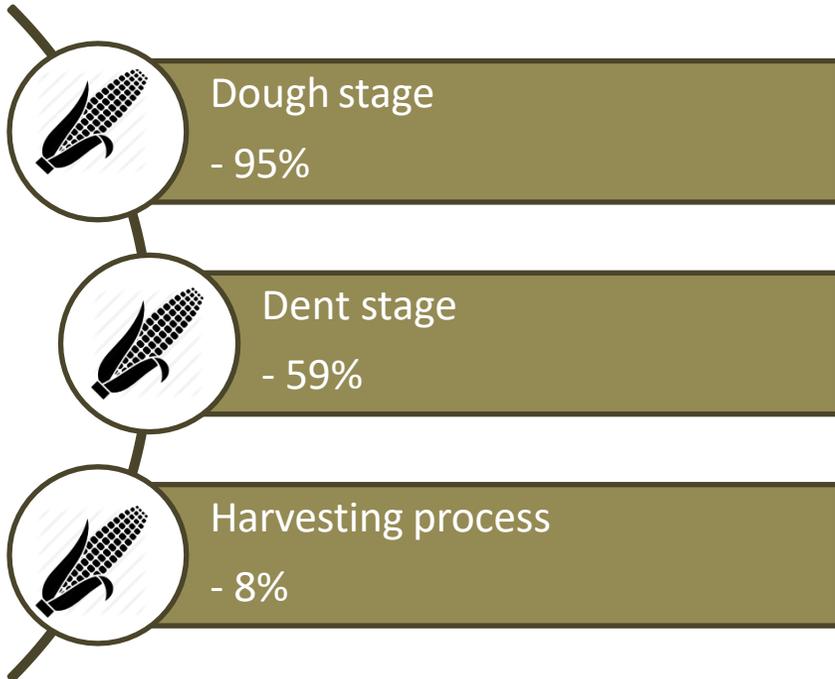
Fair
= 27%

Poor
= 7%

Very poor
= 3%



USA Harvest Progress as at 18 September 2020



LOCAL AGRICULTURE



2020/21 season

White maize

- Export = 346 297 t
- **Previous week = 13 820 t**
- Import = 0 t

Yellow maize

- Export = 1 075 665 t
- **Previous week = 96 730 t**
- Import = 0 t
- **Previous week = 0 t**

Destination for majority of exports:

WM export:
Zimbabwe = 34%

YM export
Taiwan = 39%



Cumulative oilseed producer deliveries as at 18 September

Soybean:
Deliveries in previous week
= 1 413 t

Total soybean
deliveries
=
1 199 141 t

Percentage of
crop delivered
=
95%

Total sunflower
deliveries
=
778 875 t

Percentage of
crop delivered
=
99%

Sunflowers:
Deliveries in previous week
= 0,473 t

LOCAL AGRICULTURE



Cumulative maize producer deliveries as at 18 September

WM1

- Total = 6 392 843 t
- Previous week = 28 963 t

WM2

- Total = 917 383 t
- Previous week = 9 435 t

WM3

- Total = 268 892 t
- Previous week = 7 983 t

Total white maize deliveries	Total yellow maize deliveries
=	=
7 641 760 t	5 777 877 t
Percentage of crop delivered	Percentage of crop delivered
= 85%	= 88%

YM1

- Total = 5 463 581 t
- Previous week = 13 497 t

YM2

- Total = 253 180 t
- Previous week = 630 t

YM3

- Total = 25 378 t
- Previous week = 119 t

EXCHANGE RATE

R/\$



DOLLAR - RAND CHART



The South African currency performed much weaker against the US dollar this week. On Monday 21 September the rand was trading at R16,16 but by the time of publication of this newsletter, it has dropped to around R17,07.

The weakening of the rand can be attributed to the second wave of Covid-19 infections that has hit Europe. Investors are wary of investing in emerging markets, since the world economy is under pressure and battling to recover from the effects of the Covid-19 pandemic.



Rainfall and planting progress in Argentina

Argentina experienced very dry conditions last week and its northern regions were especially hard hit by the drought. Scattered showers are however expected in the central parts this week, with better chances for rain over the next 6 to 10 days.

Soybean plantings have not yet started, but that is normal for this time of the year, as maize and sunflower plantings usually come first. 6,5% of maize plantings have currently been completed.

Both the USDA and the Buenos Aires Grain Exchange adjusted their new season grain planting estimates downward by 100 000 hectare to 6,2 million hectare.

Read more:

http://www.soybeansandcorn.com/news/Sep22_20-Argentina-Weather-and-Spring-Planting-Progress

Opinion:

Dry weather in the country will slow down the planting tempo and will put producers under pressure to complete planned hectares.



Big plans for chicken industry

In his investment speech of November 2019, Pres. Ramaphosa indicated that growth in the chicken production industry had to be stabilised. Approximately R1,7 billion was earmarked for the industry, of which R1 billion has already been activated.

The master plan is to expand the industry so that weekly production growth of 8,7% can be achieved by 2022.

One of the most important pillars in maintaining this growth is international trade in chickens. According to Mr. Breitenbach, General Manager of SAPA's Broiler Organisation, South African producers are capable of meeting local demand.

Read more:

<http://www.farmingportal.co.za/index.php/all-agri-news/press-release/5084-poultry-industry-pushes-master-plan-progress-post-covid>

Opinion:

Growth in chicken production will create an increase in the demand for chicken feed and thus support grain prices.



Unexpected drop in oil price

The price of oil on world markets dropped steeply on Wednesday 23 September and the commodity traded at around \$42 per barrel.

This is due to the fact that US stocks have increased to 691 000 barrels. This unexpected stock increase was largely caused by a decrease in the demand for oil due to the second wave of Covid-19 infections in Europe. France, Spain and India reintroduced stricter lockdown regulations which will hamper the demand for oil.

Covid-19 deaths in the USA now top worldwide figures at 200 000 reported deaths. There are concerns that stricter lockdown regulations will also follow in the US in an effort to flatten the death curve.

Read more:

<https://www.reuters.com/article/us-global-oil/oil-weakens-after-unexpected-u-s-crude-inventory-rise-idUSKCN26E0ED>.

Opinion:

Lower oil prices will most likely result in a decrease in fuel prices.



SUMMARY

- Dry weather can be expected over the entire country in the next fourteen days. A cold front is likely to hit the southern parts of the country by the weekend.
- Yellow maize trades at export parity for July 2021, which means that prices still have the potential to move upward.
- The South African currency supported grain prices this week and traded weaker against the dollar.

RISK MANAGEMENT

PRICE



Min/Max price



Minimum/Maximum price

A put option is bought for the client to establish a minimum level. To keep costs low, a call option is simultaneously sold, which establishes the maximum price.

Should the market in future reach the maximum level (call option) the client will receive a short futures position which will force the client to deliver at the maximum price level.

If the market price trades at the minimum level (long put option), the client can be sure that they will be able to deliver at the minimum level no matter how far the price falls below this level.

Example:

The client buys a put option @ R2 560 (minimum level) at a cost of R120/t. At the same time, the client also sells a call option @ R 3000 (maximum level) at a premium of R25/t. The client can now receive a minimum price of R2 560/t and a maximum price of R3 000/t for his grain.

The cost of the strategy will be R120 (put) – R25 (call) = R95/t.

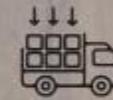


SAFEGUARDING FOOD PROSPERITY

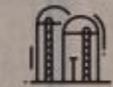
Rand Agri, a bulk grain and supply chain trader, safeguards food prosperity in Southern Africa by connecting farmers and processors. Our services reach across the grain supply chain. It includes:



Trading grain crops such as soybean, wheat, sunflower, GMO/non-GMO white and yellow maize, sorghum and sugarbeans.



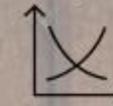
Logistics including sourcing, storage, export and delivery of grains and agricultural lime directly to customers.



Milling, processing and selling of white and yellow maize meal, yellow maize grits, starch and super fine maize meal.



Process and supply animal feed by-products such as hominy chop, wheat bran, molasses, as well as soybean, cotton and sunflower oilcakes.



Price and risk management by our experienced traders.

Rand Agri - the vital connection between farm and plate

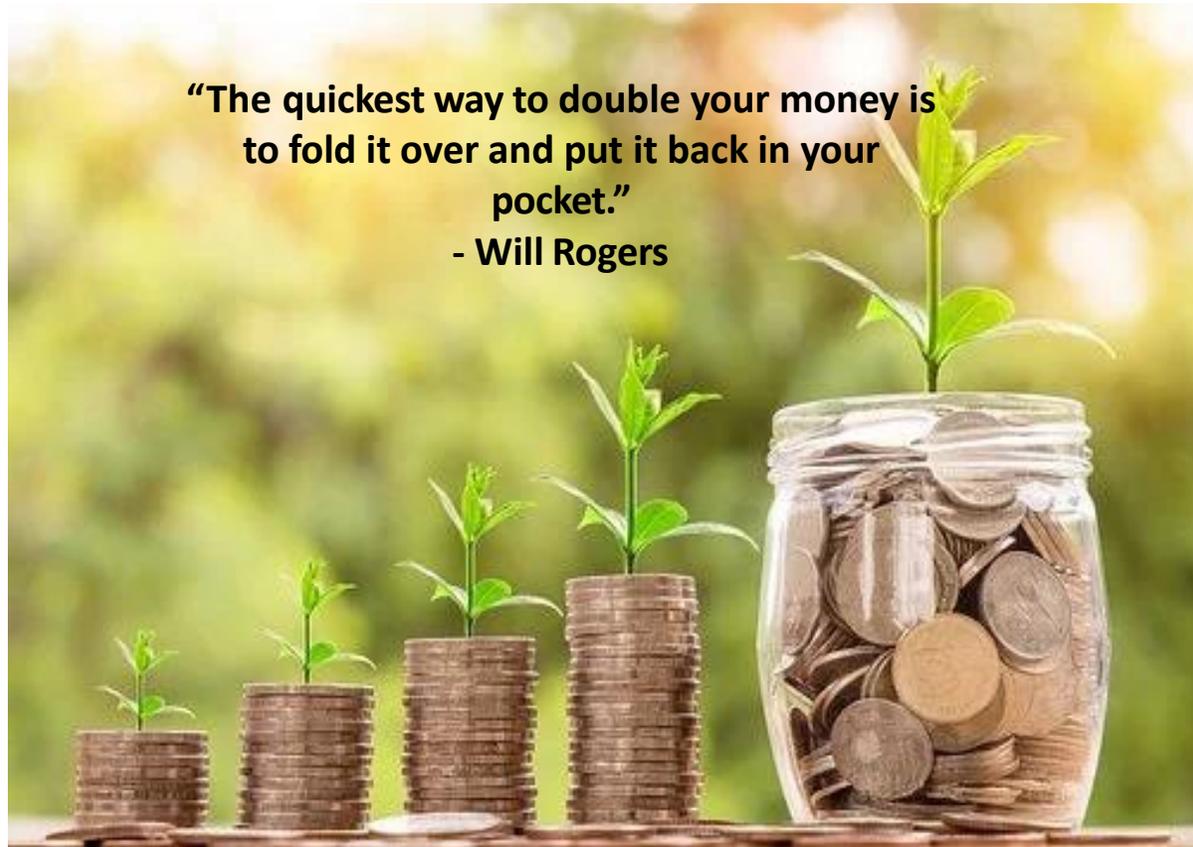
Contact us today for your grain trading and supply chain needs.
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CONTACT US



“The quickest way to double your money is to fold it over and put it back in your pocket.”

- Will Rogers



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